

**6 SEM TDC FSA 2 (Sp)**

**2 0 1 4**

**( May )**

**COMMERCE**

**( Speciality )**

**Course : 602**

**( Financial Statement Analysis )**

Full Marks : 80

Pass Marks : 32

**Time : 3 hours**

*The figures in the margin indicate full marks  
for the questions*

1. (a) Fill in the blanks with appropriate word(s) : 1×5=5

- (i) Financial statements are ———  
(estimates of facts/recorded facts/  
anticipated facts).
- (ii) Long-term solvency ratio is the  
same as ——— (current ratio/acid-  
test ratio/debt-equity ratio).
- (iii) The objectives of financial reporting  
for business enterprises are based  
on ——— (GAAP/the need for conser-  
vatism/the needs of the users of  
the information).

- (iv) The Institute of Chartered Accountant of India (ICAI) has decided to converge the Indian GAAP into IFRS for financial reporting of corporate India with effect from 1st April — (2011/2012/2013).
- (v) Disclosures in the financial statements of banks and similar financial institutions are associated with — (IAS 30/IAS 31/IAS 32).
- (b) State whether the following statements are True or False : 1×3=3
- (i) Financial statements accomplish only external reporting.
- (ii) Current ratio is also known as liquid ratio.
- (iii) IFRS-4 is associated with insurance contracts.

2. Write short answers to the following questions : 4×4=16

- (a) Discuss the significance of Financial Statement Analysis.
- (b) What are the limitations of ratio analysis?
- (c) Distinguish between 'financial reports' and 'financial statements'.
- (d) What are the benefits of Global Accounting Standard?



3. (a) What do you understand by Analysis of Financial Statements? "Financial Statements suffer from a number of limitations." Discuss. 6+5=11

Or

- (b) What are the tools normally adopted by a financial analyst while analysing the financial statements? Explain how economical value added to the statements are useful for a potential investor. 6+5=11
4. (a) From the following information, prepare the Balance Sheet of X Company showing the details of working : 12

Paid-up Capital—₹ 50,000  
Plant and Machinery—₹ 1,25,000  
Total Sales p.a.—₹ 5,00,000  
Gross Profit Margin—25%  
Annual Credit Sales—80% of net sales  
Current Ratio—2  
Inventory Turnover—4  
Fixed Assets Turnover—2  
Sales Returns—20% of sales  
Average Collection Period—73 days  
Bank Credit to Trade Credit—2  
Cash to Inventory—1 : 15  
Total Debt to Current Liabilities—3

Or

- (b) What do you mean by ratio analysis? Discuss its objectives. State the significance of solvency ratio.  $4+4+4=12$

5. (a) What should be the objectives of financial reporting by business enterprises? Explain qualitative characteristics of a good financial reporting.  $4+7=11$

Or

- (b) How does a good corporate governance benefit the stakeholder of a company? Corporate Social Responsibility (CSR) is mandatory for corporates from April 1, 2014, what social cost and social benefits to be included in a CSR report?  $5+6=11$

6. (a) What do you mean by Global Convergence of Accounting Standards? Why is it necessary to converge the Indian GAAP with IFRS in accounting practices?  $5+6=11$

Or

- (b) What are the benefits may enjoyed by a Nation's economy if there is a single set of Global Accounting Standard? State the steps to be adopted by an entity for first-time adoption of IFRS.  $7+4=11$



7. (a) Discuss the recommendations of RBI Group on accounting and auditing on harmonization of Accounting Standards. 11

Or

- (b) Discuss the IRDA guidelines regarding the Financial Reporting of Insurance Companies (as per IFRS-4, optional) on insurance contract.

\*\*\*